



# ***FINANCE AND ADMINISTRATION COMMITTEE***

**Members present:**

Mr MJ Crandon MP (Chair)  
Mr R Gulley MP  
Mr TS Mulherin MP  
Mrs FK Ostapovitch MP  
Mr EJ Sorensen MP  
Mr MA Stewart MP  
Mr J Woodforth MP

**Staff present:**

Ms D Jeffrey (Research Director)  
Dr M Lilith (Principal Research Officer)  
Ms M Freeman (Executive Assistant)

## **PUBLIC HEARING—INQUIRY INTO SOUTH EAST QUEENSLAND WATER (RESTRUCTURING) AND OTHER LEGISLATION AMENDMENT BILL**

### **TRANSCRIPT OF PROCEEDINGS**

**FRIDAY, 16 NOVEMBER 2012**

**Brisbane**

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Committee met at 12.18 pm

**BELZ, Mr Paul, General Manager, Planning, Queensland Urban Utilities**

**BUSH, Councillor Alan, Bundaberg Regional Council**

**BYRNE, Mr Peter, Chief Executive Officer, Bundaberg Regional Council**

**CAMERON, Mr David, Chief Executive Officer, Queensland Water Directorate representing Government Association of Queensland**

**DUDLEY, Ms Louise, Chief Executive Officer, Queensland Urban Utilities**

**JOHNSON, Mr Ian, Senior Water Policy Officer, Queensland Farmers Federation**

**SQUIRES, Dr Saul, Senior Legal Counsel, Queensland Urban Utilities**

**CHAIR:** Good afternoon, ladies and gentlemen. I declare the public hearing of the Finance and Administration Committee's inquiry into the South East Queensland Water (Restructuring) and Other Legislation Amendment Bill 2012 open. I am Michael Crandon, the chair of the committee and member for Coomera. The other members of the committee here today are: Mr Reg Gulley MP, member for Murrumba; Mr Tim Mulherin MP, member for Mackay; Mrs Freya Ostapovitch MP, member for Stretton; Mr Ted Sorensen MP, member for Hervey Bay; and Mr Mark Stewart MP, member for Sunnybank. The members who are unable to be in attendance today are: Mr Curtis Pitt MP, deputy chair and member for Mulgrave; and Mr Ian Kaye MP, member for Greenslopes. We also had a request from another MP to come along today. That was from Mr Jason Woodforth MP, member for Nudgee.

The purpose of this hearing is to receive information about the bill which was referred to the committee on 1 November 2012. The primary objectives of the bill are: the rationalisation of the SEQ bulk water industry by the merger of the three bulk water entities into a single bulk water service provider and the dissolution of the Queensland Water Commission, QWC; and the amendment of the Water Fluoridation Act 2008 to extend the criteria under which an exemption may be sought from the requirements that a relevant water supply be fluoridated and to clarify that an exemption may only be sought for an eligible relevant public potable water supply.

This hearing is a formal proceeding of the parliament and is subject to the Legislative Assembly's standing rules and orders. The committee will not require evidence to be given under oath, but I remind you that intentionally misleading the committee is a serious offence. Thank you for your attendance here today. The committee appreciates your assistance, particularly at such short notice.

You have previously been provided with a copy of the instructions for witnesses so we will take those as read. Hansard will record the proceedings and you will be provided with the transcript. I remind all those in attendance at the hearing today that these proceedings are similar to parliament to the extent that the public cannot participate in the proceedings. In this regard, I remind members of the public that under the standing orders the public may be admitted to or excluded from the hearing at the discretion of the committee.

Could I also request that mobile phones be turned off or switched to silent mode now. I remind people that no calls are to be taken inside the hearing room. We are running this hearing as a round table forum to facilitate discussion. However, only members of the committee can put questions to witnesses. If you wish to raise issues for discussion, I ask you to direct your comments through me.

**CHAIR:** The Queensland Farmers Federation, the Queensland Water Directorate, Bundaberg Regional Council and Queensland Urban Utilities each have an opportunity to make a brief opening statement. Would the Queensland Farmers Federation like to take advantage of that?

**Mr Johnson:** I just want to reinforce the points in the submission that we made. Clearly the movement to restructure the authority will be of benefit we hope in reducing the head office costs that would be apportioned between the irrigator schemes and the urban schemes. The move to take the Water Commission out is something that we do not oppose.

Our issues really focus on the fact that when this bit of legislation first came to pass the rural schemes in South-East Queensland were not part of Seqwater, they were part of SunWater. Clearly that legislation was drought focused. The intent with this change is to move away from that.

The concerns that the Farmers Federation and obviously many of the irrigators in the valley have is that while they probably contribute about 0.05 per cent of the revenue of Seqwater currently and therefore do not rank all that highly as customers, they do consume quite a considerable amount of water as customers of Seqwater and eventually the bulk water entity. The concern is the way in which those schemes, of which there are a number of bulk schemes and a couple of distribution schemes, will feature in the planning and the work that the bulk water entity will be doing into the future with regard to the customer base that it has.

Clearly, in terms of legislation, this is urban focused legislation and in that sense we are taking a bit of latitude from you to raise these issues. The rural schemes are not really part and parcel of what is being done here. Clearly, the issues that are facing the rural schemes are of deep concern. We have the QCA delivering water prices in late this year which will signal quite a few problems for the schemes, particularly the Lockyer schemes. It is clearly going to require some attention as to how we address those as we go on.

**CHAIR:** Thank you very much. We will call now on the Queensland Water Directorate which I believe is representing the Local Government Association.

**Mr Cameron:** Just to explain briefly, we are a membership body for Queensland's local government owned water service providers as slightly distinct from the LGAQ when you look at the South-East Queensland situation. We represent the distribution retail entities rather than the councils where they are responsible for water and sewerage services, but the councils everywhere else.

With regard to the key points from the LGAQ submission in terms of the SEQ water restructuring act and the South-East Queensland changes, we fundamentally agree with the basis for changes in that the institutional reform in 2008 was ill-conceived and the structure became cumbersome. Our members want to see a genuine collaborative and partnership approach with affected councils and the utilities in implementing changes in the bill. I have read and support the submission from Queensland Urban Utilities. There are some issues there specific to distribution retail entities which are important to consider, including powers of entry.

In terms of the Water Act amendments in the bill, we are concerned that the LGAQ and the Water Directorate have had a major project with the Department of Energy and Water Supply looking at regional planning and collaboration with urban water and yet the bill was the first time we heard about the proposed amendments under part 2 relating to water security. We are curious as to why that has been included for regions outside South-East Queensland.

In addition, in relation to fluoridation, the proposed amendments are generally welcomed by our members. The concerns are that there are a number of long outstanding exemption requests from a number of councils and it is important that we resolve those quickly because there is a lot of uncertainty around costs and implications for those councils. It is unclear whether water service providers eligible for exemptions for some schemes will receive reimbursement of costs if they choose to opt with an exemption under the new amendments. There have been no public statements from the government or ministers regarding this. We are concerned about the five-year time frame for exemptions and what might happen then. There are a number of other cost issues as well, including capital gaps, which I am sure the Bundaberg Regional Council will raise, and issues of ongoing general operating costs for councils.

**CHAIR:** Thank you. I call the Bundaberg Regional Council.

**Mr Byrne:** Thank you for the opportunity to speak today. Just to highlight a couple of issues. Since 2010 Bundaberg Regional Council has actively engaged with both the former state government and the current government in relation to gaining an exemption for council from the state government's legislation requiring fluoridation of its water supply. We are in a fairly unique situation in the Bundaberg area in that we have 10 public potable water supplies which fall into the criteria. As such, we have not started construction due to a range of information that we have got from government that would have indicated we have a possibility of getting an exemption. One of the issues is that we have never received a formal reply to that.

The Queensland Fluoridation Capital Assistance Program had previously advised that it would provide funding towards a number of installations but we had to fight for a long time to get the whole 10 included. The big issue for us is if we are required to fluoridate, which council does not want to do, there is still a \$1.4 million shortfall in relation to the capital costs.

The other major issue that we put in our submission is that the operational costs annually will push up the price of our water supply to our customers per customer by about four per cent on average. That is a huge issue. It is not the public health issue that Bundaberg Regional Council is arguing here, it is the huge cost to its community moving forward. We thank you for the opportunity to have further input during the discussion.

**CHAIR:** Thank you very much. We will have Queensland Urban Utilities to wind things up.

**Ms Dudley:** We are a statutory authority established as a distributor retailer pursuant to the South-East Queensland Water (Distribution and Retail Restructuring) Act. We are responsible for the water and wastewater services of 1.3 million South-East Queensland residents in our five participating local council areas—Brisbane City Council, Ipswich City Council, Lockyer Valley Regional Council, Scenic Rim Regional Council and Somerset Regional Council. QUU supports the Queensland government's objectives in the bill to implement structural reforms to the South-East Queensland bulk water supply industry, Brisbane

creating a single bulk water service provider authority that will create a direct relationship with the new bulk water supply entity in QUU and simplify the relevant bulk water planning and regulatory framework with these cost reductions in bulk water being a viable and targeted outcome of the reform.

**CHAIR:** Thank you very much. I will call on the member for Mackay.

**Mr MULHERIN:** Mr Johnson, in your submission, you outlined the role of the Rural Water Advisory Group—that it is there to address issues about the availability and reliability of water and putting it on a sustainable footing and how it can be improved. For the sake of this committee, could you elaborate more on what you see the role of these advisory committees will be and how they will assist under this new structure?

**Mr Johnson:** The Rural Water Advisory Group has been in operation for about three years. It has representatives from the Department of Agriculture, Fisheries and Forestry, the Department of Energy and Water Supply and the Department of Natural Resources and Mines, as well as Seqwater and representatives out of each of the schemes. The irrigators see it as a fairly key body because it does have that coverage and representation and, in a sense, it provides a means by which we can address the overlapping issues between the water allocation department as opposed now to the Department of Energy and Water Supply.

But it never had responsibility for dealing with issues such as the outcome of the QCA prices. I suppose we look towards how that group, which I understand now comes under the Department of Energy and Water Supply, would advance some of the significant issues we are going to find with pricing and adding to those issues of reliability. I understand that the committee is to continue, so it is a matter of ensuring that group does provide some good advice to government as to how we move forward and to the bulk water entity.

**Mr MULHERIN:** You also mentioned in your submission that the authority prepared strategic and operational plans for responsible ministers to approve each financial year, which we understand has included a statement of obligations for the rural schemes. Can you please explain why these were really important to rural water users and rural schemes?

**Mr Johnson:** Basically, the same applies in all of the SunWater schemes where there is a statement of corporate intent. I am yet to be able to talk to someone to know how this will work with the bulk water entity, but we would hope that the rural schemes will be part of that strategic planning process that is involved there so that we work through some of the issues. It just seems that what we have got now is an urban piece of legislation which needs to wrap over and include the bulk water rural schemes.

**Mr MULHERIN:** So with this new bulk water entity you would want there to be an advisory body representing the rural interests as part of the outcome of these hearings?

**Mr Johnson:** It will be important for them to work with—and that is the issue as to how that split in responsibility will happen with the bulk water entity as opposed to the department. The department is the policy group; the bulk water entity will be dealing more with the management of the rural schemes. That is where our main concern is because at this stage we are a very small component of the business of the bulk water entity and we are just wondering how we will get attraction and attention.

**CHAIR:** Thank you.

**Mrs OSTAPOVITCH:** This question is for the Queensland Urban Utilities. Your submission noted that the removal of the five-year price path and price mitigation plan requirements could impose considerable uncertainty on the distributor-retailers. The department has advised that the intention of the change was to 'basically put flexibility back on the service provider should they wish to require that of a business in their council area'. Could you please explain why you consider the removal to be the cause of uncertainty?

**Ms Dudley:** Just to clarify, it is not the removal of the price mitigation plan of the five-year price requirements from local councils. In fact, we welcome that move. It is to do with the timing of the announcement of the bulk water price. It is important when we talk to customers that we explain the entire water and sewerage bill. To do that, we need to understand what the bulk component is. So it is really a question of when we find that information out from the department because that is a crucial input into the information that we provide to our customers.

**CHAIR:** Do you have a supplementary question?

**Mrs OSTAPOVITCH:** No.

**Mr STEWART:** Your submission also raised the uncertainty surrounding the treatment of each regulated entity and potential inconsistencies between the entities which could lead to confusion in the industry and for customers. Could you explain how the current regulation in regard to the water pricing regulation prevents confusion and suggest how these could be adopted in the new framework?

**Ms Dudley:** The current price regulation for Queensland Urban Utilities and Unitywater as distributor-retailers is directed by Treasury and the Minister for Energy and Water Supply to the QCA. We have a price monitoring regime which is applicable for this year and it has been applicable for the last two years. A different economic regulatory regime exists for the bulk water entities, in that their service charges have been looked at by the QCA as part of that QCA process, but there are two separate frameworks.

One of the things that can happen is that we are not allowed to bring into our consideration of price certain capital that we might invest in until the asset is commissioned, whereas in some cases the bulk entity's investment in capital can come into price earlier than that. So we think it is important because it is a supply chain—so the water is coming from the bulk entities through to our customers—that there is a consistent regulatory regime for the bulk water entities and the distributor-retailer entities.

**CHAIR:** Member for Sunnybank, do you have a supplementary question?

**Mr STEWART:** Yes. I have a supplementary to Louise, and I would also like some input from the Queensland Water Directorate on this as well. You have highlighted in your submission—

There are no provisions in the Bill to increase the "Authorised Persons" powers under the WSSR Act (sections 31 to 40) to allow QUU's duly appointed authorised persons to monitor compliance with any water service provider restrictions imposed by QUU or water restrictions imposed via regulator direction.

The department has advised that there will be a process of public consultation in which these issues will be addressed. Would you be able to advise if any consultation has been sought with you in regard to this matter? Do you consider the department's response to be satisfactory?

**Ms Dudley:** We have spoken to the department. They have advised that early next year they expect to consult more holistically on the question of water restrictions and also access, and we are happy with that response.

**Mr Cameron:** I can only echo Louise's comments. This only applies to a limited number of entities—the two remaining distributor-retailer entities in South-East Queensland and Wide Bay Water Corporation—and I understand council has made a resolution to change the arrangement surrounding the Wide Bay Water Corporation. So it is really just an issue with being a local government versus being a local government owned entity.

**Mr GULLEY:** My question is also for Queensland Urban Utilities. You have also indicated that you would like to maintain a consultative role with the introduction of the new section 360W which allows the minister to decide the price of bulk water supply. Could you please outline the consultative process that is currently being undertaken and, again, how you foresee this process could continue?

**Ms Dudley:** The bulk water price, as I mentioned earlier, forms a significant portion of the cost of water to our customers and therefore it is important in us providing that information on price increases to our customers. In terms of the water price, there has been a bulk water price path which has been published for 10 years, but that price was only really calculated for five years and after five years it was up for review. The sorts of issues that we are interested in continuing to be consulted on are around how we forecast demand for consumption and how the risk allocation for the forecasting of demand falls between the entities, because that will also have a significant impact on the cost of the supply of bulk water to Queensland Urban Utilities. We understand that this consultation will occur as the bulk water supply agreements are developed.

**Mr GULLEY:** The committee also notes that your submission outlines concerns about the concept of limiting liability for consequential loss and that QUU has no protection in the event that QUU is sued for consequential loss by a third party. The department has advised that there are still negotiation processes occurring at this stage. Could you please outline if you have been involved in any discussion with the department about this? If not, could you advise the committee what protection mechanisms you would like to have included in the negotiations?

**Ms Dudley:** Over the days since we made our submission, we have had discussions with the department and sought some additional advice. We believe that we will be able to place reliance, as a defence, on section 49 of the Water Supply (Safety and Reliability) Act and in part the new section 360L. We also believe that we will be able to have an opportunity to negotiate through the bulk water supply agreement and we will also have an option around looking at our commercial customer arrangements, so we are satisfied at the moment that that provision stands.

**Mr STEWART:** Louise, I have another follow-up question. You advised that the changes to the water pricing regime will impose considerable uncertainty on the distributor-retailers within the industry and also create significant confusion for customers in the region if prices are regularly changed. Could you please elaborate on your concerns?

**Ms Dudley:** As I mentioned, bulk water prices are a considerable portion of the water bill for a customer and every year we announce price increases. We like to give customers some notice of what the price increases will be, and obviously we need time to actually make sure we can implement those prices in our billing systems so that we produce accurate bills for our customers. So this is really a question of timing.

At the moment, the bill does not have a time when the prices will be announced and it does offer a range now. My understanding from discussions with the department is that that is because they need some time to work out when they would be in a position to actually announce the bulk water prices and that they might be able to do that by announcing a longer term price. That would certainly then provide certainty for us in terms of our customers as to when the announcement is going to be made and the impact on customers.

**Mr STEWART:** In relation to the timing of that pricing, what would your expectations be in regard to getting that timing?

**Ms Dudley:** We would like to see probably three months to allow us to do what we need to do in our systems and also to provide the necessary information and notification to our customers.

**Mr MULHERIN:** What is the breakdown in percentage terms between cost for the bulk water entity and the distributor-retailer. Is it 40 per cent bulk water charges in the customer's bill at the end?

**Ms Dudley:** I would not like to give you a figure off the top of my head, but it is a reasonable percentage—like over 50 per cent of the water component of the water and sewerage bill.

**CHAIR:** Louise, can you get that information to us by the 23rd?

**Ms Dudley:** Yes.

**CHAIR:** Sorry, my apologies. I was thinking of another thing when I mentioned that date.

**Mr MULHERIN:** As soon as possible.

**Ms Dudley:** We can do that for you this afternoon.

**CHAIR:** Thank you. There are no more supplementaries on that, so we will move to the Bundaberg Regional Council and ask you a few questions. I believe that the member for Hervey Bay is champing at the bit to start the questioning.

**Mr SORENSEN:** I suppose I will just start on the first one. The committee has also received a few submissions from the residents of Bundaberg expressing their opposition to the fluoridation, based on cost and health. The committee is not charged with examining the health aspects. As we would like to obtain more information on the cost aspect of the operation and maintenance of the fluoridation process, could you elaborate on this and the installation costs, especially in Bundaberg where you have a number of bores and different things like that? Another question that I would also like to ask is from a local government point of view, and it was always an argument when I was in local government: do you think local governments are responsible for medicating people through their water supply?

**Councillor Bush:** That is fairly simple. My portfolio for the last five years has been water and wastewater in the council. I do not think local governments should be responsible for any health issues at all. To add further on the cost, I do not know whether you have this document here, just reading from there: the total concept, design and capital works costs is \$7.78 million. The Queensland Fluoridation Capital Assistance Program approved funding is \$6.45 million. That leaves a shortfall for the Bundaberg Regional Council of approximately \$1.32 million, which the council has to find for the capital cost side of it. Also, the ongoing running costs with depreciation are \$818,000 a year, to run it. Just the running costs equate to a four per cent increase in our water rates. If you can compare those costs, we basically supply water to about 45,000 residents. Those costs are very similar to the Brisbane City and outlying areas. They actually supply water to about two million residents. The cost of putting fluoride into our water is so expensive, as are the ongoing costs. At every debate I have had in council and at forums, I believe this is basically a commonsense type exercise. Even if there are any benefits of fluoride, which I doubt—I do not know much about the health issue—but the council is there to take, how would you say? Take those sorts of things out of the water supply and not put them back in.

I believe commonsense should prevail, because you are looking at \$7.7 million of funding that could be allocated to other health issues. I do not know whether I should go onto that, but in Bundaberg alone we never actually provided for that \$1.3 million shortfall in our budget this year, through advice from our state members that we most probably would be exempt from it. If we were forced into putting fluoride into our water, that capital cost would have to come at the expense of the program that we have underway for renewing up to 80-year-old water mains in the city. As far as water quality goes, I believe that it would be of far more benefit to the Bundaberg residents to upgrade the water mains and provide a better quality of water.

There are so many other projects in the Bundaberg region that we would love to spend \$7.7 million on, to increase the infrastructure of our growing community. Our population is supposed to increase, I think, to the year 2030 by 50 per cent. We have an infrastructure program to actually do that work, but with these capital costs, as you can see where I am coming from, there is capital expenditure there that needs to be budgeted for.

**Mr SORENSEN:** There would be a big maintenance cost on 10 facilities as well, compared to only one facility. Your submission outlined the unique situation in the Bundaberg Regional Council which has 10 individual potable water supplies servicing a population of around 50,000. We also note your request for an increase in the minimum population levels where they appear in section 8(1)(c), 8(1)(d) and proposed new section 8(1A) to 60,000. The department has advised that the number used in the calculation is based on those who consume the water. Can you explain how your 50,000 figure is calculated?

**Councillor Bush:** It is persons; it is 60,000 persons. That is to allow for population growth, of course. At the moment, I understand that the population we service is about 45,000. That is the reason for that figure of 60,000 people. Does that answer your question?

**CHAIR:** I have a supplementary question on that. We called on our executive research directors to pull some figures for us from around the state. The figure for Bundaberg is 91,858 persons. I appreciate there would be a lot of people on tank water, but the advice we have received is that the numbers that are used for the calculation are, in fact, based on the people who would or could use the water supply. That

means that people who are on tank water are not excluded from the count because they come to town, because they consume the water in the town, because the children go to schools in the town and drink from the water supply. They are counted in the number. I am just wondering whether your figure of 60,000 is going to be blown out of the water when we receive the review or the report from health services in relation to the actual figure that they would calculate. Would you like to comment on that?

**Mr Byrne:** I think the issue for us is that it has never really been highlighted that that was the case. I think the case always was it was up to a population of 1,000 first of all in relation to the exemption. Then in the draft legislation, it was up to 10,000. That would not have helped us at all. Based on the figures relative to the different sites, we felt that 60,000 was appropriate. I am not sure in relation to the way that your research people have put that forward. That was not really drawn out to us in that regard. We just feel that, given our population growth, et cetera, into the future, the dollars that we are putting into fluoridation, forgetting the health issue as we rightly said, we just are going to really struggle as a local government, given the funding constraints, especially in relation to the 40 per cent subsidies being removed, how we move forward and being able to provide it at a reasonable cost.

**CHAIR:** Based on those cost figures, following on from some comments earlier, you indicated that a population increase of something like, was it 50 per cent?

**Mr Byrne:** We have moved from a population of approximately 97,000 or whatever it is now—very close to that—to about 130,000 or 150,000. That is just based on the Wide Bay Burnett Regional Plan.

**CHAIR:** Over what time frame?

**Mr Byrne:** A 20- to 30-year period.

**CHAIR:** Twenty or 30?

**Mr Byrne:** It is a 20-year period they say, but we think it will probably be more likely 30, given the growth rates at the moment.

**CHAIR:** Thank you. Let me just try to clarify: yours is purely an economic issue and if somehow the state government was able to find the dollars to supplement those costs, you would be quite happy to run with the fluoridation scheme?

**Mr Byrne:** I will let Councillor Bush talk about the political side. In relation to the dollars, if the government was unable to provide an exemption, then from purely an administrative point of view we would really struggle unless we got the balance of that \$1.3-odd million in relation to the capital. The big issue, from a political point of view and also an administrative one, is moving forward with those operational costs annually. Given that we have such a strain on infrastructure provision with projected growth rates, that is where we are heading. But maybe Councillor Bush might want to add to that?

**Councillor Bush:** I will make a comment. I believe that when I started this debate or started getting into this situation three or four years ago, it was purely a cost thing. You get people writing into the paper and they see that Councillor Bush is against fluoride. I reckon I would average at least two phone calls or emails a day about the fluoride in the water supply.

**CHAIR:** Sorry: can I just clarify something with you? Did you say you are against fluoride? Is that because of the health issue or is that because of the cost issue?

**Councillor Bush:** Personally I am against it on both aspects, but as a councillor I am debating this as a cost thing. I think that the question was, would council be happy if the state government provided all the infrastructure costs and the running costs? I would say most probably not.

**CHAIR:** If you were provided with all of the costs, so there was no cost to the council, you still would not be happy?

**Councillor Bush:** From a cost point of view, yes. But I cannot speak for the rest of the council, whether they would debate the issue on the health side of it.

**CHAIR:** But your proposal here and what you are putting to this committee for us to consider is the cost aspect of it?

**Councillor Bush:** That is exactly right.

**CHAIR:** If we resolve that—

**Mr Byrne:** Chairman, we did meet with Minister Springborg in relation to this matter. I think we all realise it is fairly difficult in the situation that probably 80 or 90 per cent of the major regional centres have the fluoride. The issue for us then would be we definitely need that 100 per cent funding. In relation to the capital, that probably is not the big issue from a government perspective; but I believe operational will be from a government perspective. But really for us we need that capital and we need to have those operational costs addressed for local government. Whilst Bundaberg Regional Council has an issue with the operational costs a lot more than others because of our 10 sites, it is still an issue for other local governments throughout Queensland as well.

**CHAIR:** Thank you. Was there a question over on the right from the member for Nudgee?

**Mr WOODFORTH:** Mr Byrne and Councillor Bush, you have mentioned the whole cost issue from the council side of things. I have gone through the submissions because I am very anti-fluoride; let me put that on the record. It has been on the record here for quite some time now. Do you not feel that, given the number of submissions that are actually against it from a health point of view, you would have uproar within your community?

**CHAIR:** There is no need to answer that question. That question is out of order. We will move on.

**Mr GULLEY:** I was interested in a prior comment about the 10 different water sources. Therefore, are your costs equally distributed across those 10 or do you have expensive bores servicing very small numbers of people? Is that a factor?

**Mr Byrne:** Yes, it is a factor. As I said, it is across the 10 and there are some that are smaller, but a lot of the costs are fairly similar because of the actual infrastructure, no matter what size. It is a bit of difference, but not much.

**Mr GULLEY:** Would an exemption per bore be suitable for you, rather than a global exemption?

**Mr Byrne:** No, the council has made it very clear to me that they do not consider a partial exemption. They want total exemption.

**CHAIR:** Are there any further comments in relation to those matters? If not, we will move on to, perhaps, the member for Sunnybank.

**Mr STEWART:** Thank you, chair. Could we move on to Queensland Water representing local government. The Local Government Association of Queensland's submission has stated that the proposed water security program contradicts the outcomes articulated in the Urban Water Services Project MOA and that it seems counterintuitive to the government's mandate of red tape reduction. Could you outline the contradictions between the proposed program and the current Urban Water Services Project?

**Mr Cameron:** Thank you. I can start by explaining the current Urban Water Services Project. There are three pilot regions where the Queensland Water Directorate, in conjunction with the LGAQ, is looking at trialling or investigating different governance models, collaborative models—basically, local government providers working together to achieve better outcomes on a voluntary basis rather than through some sort of imposed regulatory type of reform. There are three regions. One is central west of the state, one is central east of the state and one is Far North Queensland and there is a cluster of councils collaborating. That is an established process with established regional boundaries.

The concern that arose from that provision in the bill is that we did not expect it to be there. There was no advice from the departments that that was being added in and being considered for regional Queensland. My understanding is that it is something to do with security of supply, but we have not been able to get an answer as to what that actually means yet. All we are suggesting is that there needs to be more consultation, because if there is an independent process going through and establishing some sort of regions for supply security then it should really somehow align with what is going on in that other voluntary collaboration project working in those regions.

**CHAIR:** Member for Stretton?

**Mrs OSTAPOVITCH:** The LGAQ's submission mentioned that there are some concerns with the fluoridation exemption renewal process. As you have indicated, councils may be left to fund fluoridation infrastructure once the Queensland Fluoridation Capital Assistance Program ceases. The submission outlined that a funding pool for small and remote water service providers should be set up. Would you give us an indicative number of the small and remote water service providers referred to?

**Mr Cameron:** I am not sure I can give that to you immediately. I can go through the list and give you a rough indication. The thing that perhaps in the early discussions that has not come out, too, is that when we talk about water supplies we are talking about schemes; we are not talking about whole local government areas. A scheme is typically a particular township. There might be water service providers that have a number of operating schemes, some of which have a high population issue—and Bundaberg city is one of those—and it is just complicated by the fact that there are all of these different sources—

**CHAIR:** Rough figures are fine.

**Mr Cameron:** Okay. Rough figures, it would be in the 10s, I suppose, that would be suffering some financial burden immediately from ongoing costs associated with fluoridation. I suspect that there are actually some other capital gaps. Bundaberg's is the most exacerbated one, but I am sure that there are some other gap issues in terms of what has been offered by the department versus what is required to set up the infrastructure. Really, LGAQ's policy has come from announcements made by the former government that such a scheme would be set up to provide support and ongoing costs for small communities and that has disappeared. We are talking to the department of health about it, but it is still progressing.

**CHAIR:** So have we some rough numbers?

**Mr Cameron:** I would have to go through the list and get back to you.

**CHAIR:** Okay, if you could. Could you get back to us this afternoon?

**Mr Cameron:** Okay.



**CHAIR:** I will call on member for Murrumba to follow on with those questions.

**Mr GULLEY:** This is to the Queensland Water Directorate representing local government. Could you outline for the committee what feedback has been from the local government stakeholders with respect to the amendments to the fluoridation act?

**Mr Cameron:** Yes. I am ignoring some of the other issues that are off the table—the cost related issues I mentioned briefly in the preamble. There are concerns about capital gaps in some cases—and, again, Bundaberg is the most extreme case perhaps. There are issues in relation to ongoing general operating costs. There are issues with access and training for staff. It is difficult to get skills in a lot of remote locations and it is difficult to get quality training for what is essentially administering a chemical that you have to administer fairly carefully.

From what we have seen of the draft bill, the amendments proposed by Queensland Health have taken into account a lot of those issues successfully. Most of the schemes that are being notified as being eligible for exemption are the sorts of ones that we would deem as being either high cost or high risk, but there are still some minor exceptions in them.

**CHAIR:** Member for Hervey Bay, would you like to follow on from there?

**Mr SORENSEN:** Yes. The committee sought some clarification with respect to the new section 8(1)(c) to (f) from the department. The committee felt that some of these provisions could be interpreted quite broadly. Can you explain what guidelines or evidence would be of assistance to local government in interpreting these provisions?

**Mr Cameron:** I am sorry, I would have to ask what the provisions are. I do not have a copy of the bill in front of me.

**Mr SORENSEN:** Right. I will go on to the next one. Are Queensland Urban Utilities and local government satisfied that, with the transfer of the advisory functions previously held by the QWC to the department, sufficient independence is retained?

**Mr Cameron:** From that perspective, we have left Queensland Urban Utilities and Unity Water to make their own comments directly, but we have consulted with each of the remaining three SEQ councils in Logan, the Gold Coast and Redland and all are happy with the proposed amendments.

**CHAIR:** Okay. We have the provisions now.

**Mr Cameron:** So could I ask for the question to be repeated, sorry?

**CHAIR:** I will ask the question. The committee sought some clarification with respect to the new section 8(1)(c) to (f) from the department. The committee felt that some of these provisions could be interpreted quite broadly. Can you please explain what guidelines or evidence would be of assistance to local government in interpreting these provisions?

**Mr Cameron:** I am still not sure I have the right section, I am dreadfully sorry. I have section 81, which is a requirement to add fluoride to relevant public potable water supply. From the detail that is in the regulations, it is fairly clear what the criteria are for which schemes that need to be fluoridated. A population of 10,000 is the limit that has been set. There are a whole heap of different scenarios relating on how the schemes are laid out. We have not had any difficulty in interpreting those things and we have sought guidance from Queensland Health and provided advice to our members on that basis. So if it is about which are required to fluoridate, I do not believe that there are any issues.

**CHAIR:** Okay. Thank you. The committee also asked the department about the Queensland capital assistance program. They advise that the program has been extended to June 2014, but there are no current plans to extend it beyond that date. Is local government concerned that it is probable that there will be no form of assistance to providers in the future who may cease their eligibility for exemptions under the proposed section 8 due to population growth? Would Bundaberg Regional Council also like to make a comment on that. So if we could have you, David, and then perhaps back to the Bundaberg Region Council, because that is very relevant to you, too, is it not?

**Mr Cameron:** Yes, it is definite a concern and it was mentioned in the submission. There is a five-year exemption time frame and it is unclear as to what is going to happen at the end of that five years. We understand that there could be a number of triggers, including exceeding population, but there are other things in the act that might trigger the requirement to fluoridate. Yes, we are concerned that there might not be money around to make that happen.

**CHAIR:** Yes. Peter?

**Mr Byrne:** Thank you very much. Yes, it is a big concern for us, because with a population growth like that we would run into major issues from a financial point of view.

**CHAIR:** So with that in mind, it might be appropriate for you to reconsider your position perhaps with the financials? We are asking these questions to get responses so that we can formulate our recommendations to the government, not in an adversarial way. Please do not think that that is the case at all. Would you like to comment?

**Mr Byrne:** Sorry, I am just not quite sure what you are—

**CHAIR:** We have just explored the possibility that—2014 is it?

**Mr Byrne:** Yes, that is right.

**CHAIR:** Ultimately, Bundaberg will find itself in a position where it has exceeded its cap, whatever that cap may be

**Mr Byrne:** Yes, that is right.

**CHAIR:** And then ultimately will have to bear the full cost on their own shoulders.

**Mr Byrne:** That is right.

**CHAIR:** You might want to make some comment.

**Mr Byrne:** We are quite scared about that, I suppose, if I can take the term of several of the councillors. As I say, after 2014, No. 1, in relation to ourselves now we are on a short time frame. If we do not accept the capital assistance grant based on the gap we have now, that is an issue for us. But the second one is that we will probably move across those trigger points and if there is no funding there, then we will have to take up loans and that would end up as a huge burden on our ratepayers who have to meet those costs.

**CHAIR:** When considering your submissions, you can appreciate that this committee needs to take into consideration the greater good going forward and what we know is available now as opposed to what may or may not be available in the future. So it may be that you are putting off the inevitable. Could we argue that you are putting off the inevitable and the end result could be that you will be much worse off as a result of a decision if we were to go down the road of making that recommendation?

**Mr Byrne:** From an administrative point of view—and if that is okay, I will get Councillor Bush—I think the issue does worry us greatly. When it had that 31 December time cut-off point, we were extremely worried about it. But we were told by several of the ministers and a member of the parliament not to proceed. We had gone to tender, but we had not accepted those tenders. We were basically told—and Councillor Bush was with me and all the counsellors there—and the indication was that we should not be proceeding. We are still waiting on our exemption to come through. Those tenders were cancelled. It does really concern us now. Whilst I believe that the end date has been taken out of the regulation, it still will worry us. We need to get an answer fairly quickly in relation to our position in relation to an exemption. But from a legislative point of view and, as I say, from a financial point of view, it is a real concern if we do not get some clarity around that.

**CHAIR:** Thanks, Peter. Councillor, did you want to make any further comment there?

**Cr Bush:** I think I can comment a fair bit on that. Basically, if someone wants something, they usually pay for it. This is a little bit of our problem. If the state wants fluoride in our water, I believe that they should pay for it. The way I see it is that if the state is not prepared to pay for it, why should local government be forced to put something in their water that the local government does not want?

**CHAIR:** Okay. That is a whole different question.

**Cr Bush:** I realise that.

**CHAIR:** That is a whole different question, though. We are here talking about your submission, which has nothing to do with that. Thank you. No need, Councillor, to go on further. We understand your position. I will call on the member for Stretton.

**Mrs OSTAPOVITCH:** This is in regard to the reporting requirements of SEQ local governments—the water pricing. It is proposed to put in place different mechanisms for the reporting of water pricing to residents by local governments. Are QUU and local governments satisfied with these mechanisms?

**Ms Dudley:** I am just not sure what section you are referring to in respect of that.

**Mrs OSTAPOVITCH:** It is the changes proposed in the bill to relieve local governments of the obligation to provide their five-year price paths from 1 July 2013 to 2018. Does that help?

**Ms Dudley:** Yes, we are very satisfied with there not being the requirement from Queensland Urban Utilities perspective—I am not speaking on behalf of the councils. We are obviously satisfied that there is no requirement to publish a five-year price path and the price mitigation plan that goes along with that.

**CHAIR:** David?

**Mr Cameron:** Again, from the relevant councils I have spoken to, they did not raise any issues with that provision. All they asked for was encouraging consultation and participation as it is implemented.

**CHAIR:** Okay. Thank you. A supplementary?

**Mr MULHERIN:** The committee notes that the LGAQ stated in its submission that the proposed water security program amendments would exacerbate the regulatory burden on water service providers. How would you like to see this addressed?

**Mr Cameron:** We are just encouraging whichever department has initiated the change—we are not even sure where it has come from. Is it a flow-on from a plan for SEQ where it has been decided that these provisions should extend to the rest of Queensland? Has it come out of Natural Resources and Mines? We are not sure of the source yet. So we just want to talk to the relevant department about it to understand what the change's impacts are.

**Mr MULHERIN:** We will try to find out and get back to you.

**CHAIR:** Okay. No further questions there? I will come to the last question myself. It is a couple of minutes before the end. This is in relation to the dissolution of the Queensland Water Commission and the Office of Groundwater Impact Assessment. Are QUU and local government satisfied that, with the transfer of the advisory functions previously held by the QWC to the department, sufficient independence is retained?

**Ms Dudley:** Yes, we are satisfied.

**CHAIR:** David?

**Mr Cameron:** Yes.

**CHAIR:** That is wonderful. The time allocated for this public hearing has expired. If members require any further information the committee will contact you. Thank for your attendance today. The committee appreciates the assistance and I declare the departmental briefing closed. Is it the wish of the committee that the evidence given here before it be authorised for publication pursuant to section 50(2)(a) of the Parliament of Queensland Act 2001? Yes? So authorised. Thank you very much, ladies and gentlemen.

**The committee adjourned at 1.17 pm**